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Action

NEA

FROM: AmEmbassy TEHRAN

Date Sent: 22 Oct. 59.

Rec'd:

Info

SS

TO: Secretary of State  
Rpt'd: AmEmbassy Baghdad

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NO: London

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AmConsulate Khorramshahr

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Basra

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Sub: Memo of Conversation with Sultan Hosein SANANDAJI of the Iranian Foreign Office on Oct. 17, 1959.

About the flag problem he said the Iraqis several weeks ago suddenly insisted that ships entering the Shatt should only fly the Iraqi flag. Previously, if a ship was proceeding to an Iranian port, it flew the Iranian flag; if it was proceeding to Basra, it flew the Iraqi flag. This ruling exacerbated already exasperated Iranians. A meeting was called headed by Aram; it was decided that all ships proceeding to Iranian ports should fly the Iranian flag. If not, they would be black-listed. If Iraqi pilots refused to service them, they are to be escorted by the IIM. If the Iraqis intervene with military means, the Iranians are to retaliate with military force. This has the backing of the Irangov and the approval of HIM. So far nothing untoward has happened concerning the enforcement of this ruling.

On the Khosroabad matter Sanandaji remarked that about four or five days ago the Pan Am representative here, Mr. Mahdi, told him the Iraqi Consul had called the Pan Am representative at Khorramshahr to protest Pan Am use of Khosroabad; he instructed Pan Am representative (presumably Collun) that the Captain of the IAM should proceed to Basra to stand trial for not complying with Iraqi order about not using Khosroabad and not using Iraqi pilot. Also, threatened military action if they continued the use Khosroabad. Sanandaji said that Iraqi Consul had approached Bowie on this, but Bowie had told him that since the ship was of Iranian registry and Pan Am was an Iranian company, he should contact Iranian authorities. This morning (October 17) the Iraqi charge (Hadevi) came to Foreign Office to protest, but Sanandaji refused to accept his oral protest and, instead, himself protested to the Iraqis about their activities on the Shatt. He informed Hadevi the Iranians mean to protest these ships of an Iranian company and of Iranian registry. He told Hadevi that Pan Am was an Iranian company duly incorporated in Iran according to Iranian

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laws; 55% of its shares are owned by NIOC. He said the period of capitulation in Iran is over when a consul can order people to appear in court, can order people and companies about, and can lodge protests with governments in which they are stationed. Sanandaji threatened to have the Consul there recalled. The LSM is still at Khosroabad and nothing untoward has happened there. He reiterated that the Iranians do not intend to back down on this issue because they feel they have a justifiable case and they don't intend to be pushed around. He told Hadawi that the Iraqis have the ownership of the Shatt, but not the sovereignty. If they insist upon the 1937 Agreement, they should honor it and carry it out without contriving such obstacles to be put in the way of Iranians. If not, they should rescind the Agreement; Iranians would be happy to see this happen since they could then handle their problems on the Shatt as they see fit. He added that the Iraqis have more to lose than Iranians; we have other ports and they don't, he commented. Sanandaji reiterated Iranians want a voice in the Shatt. They insist: (1) upon the right to require that vessels proceeding Iranian ports fly the Iranian flag; (2) right to use Khosroabad; and (3) freedom for Iranian small craft to use the Shatt without being intercepted by Iraqi patrol craft supposedly after smugglers. The Iraqis, if they suspect boats, should notify the Iranian customs border guard at Khosroabad and let them investigate and report. He went on to say that Khosroabad is a port that has always been a regular port of call and the Iraqi technical objections to its use by Pan Am are definitely contrived. The Shah approved the Iranian stand re Khosroabad.

Iran wants to go back to pre-revolutionary days in Iraq and proceed with the settlement of all outstanding problems re the border delineation and the Shatt under the aegis of the arbitration commission headed by the Swedes. The Iraqis have alluded to this commission several times in their notes and, therefore, we assume that they abide by the decision of the previous government on this matter. They continue to procrastinate, however, and make excuses that they are too busy with events internally to discuss their problems with Iran. Besides, an equal voice in the Shatt, Iran wants: (1) joint commission, (2) Port Authority composed of 50% Iranians and 50% Iraqis to administer Shatt; (3) income therefrom should be split 50-50 and deposited in Iran-Iraqi banks; and (4) monies should be freely convertible.

Sanandaji said that he is sending his Ambassador in Baghdad word about the charge's visit. I asked him if he had heard anything from Basra; he replied, "not a word". He said that he felt this trouble stemmed from the attitude of the Iraqi general who is now the Port Director at Basra. He is a friend of Qassim's and inclined to be one of those strong types. He is probably under the influence of some of those 47 Soviet technicians they have working at the Port; they are probably giving him bad advice.

Continuing on the background of the problem, Sanandaji said that the Iraqi government several weeks ago sent their Embassy a note protesting that

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